IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1939

No.

SONTAG CHAIN STORES CO., LTD.,
a corporation,

Petitioner,

vs.

NATIONAL NUT COMPANY OF CALIFORNIA,
a corporation,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE NINTH CIRCUIT AND BRIEF IN SUPPORT THEREOF

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PETITION FOR WRIT OF CERTIORARI

To the Honorable, the Chief Justice and Associate Justices of the Supreme Court of the United States:

Your petitioner, Sontag Chain Stores Co., Ltd., a corporation of Delaware, respectfully prays for a writ of certiorari to the United States Circuit Court of Appeals for the Ninth Circuit to review a judgment entered by that court on November 3, 1939 holding petitioner guilty on infringement of Reissue No. 20,204 (R. 333) of original patent No. 1,958,409 (R. 342) because of petitioner's

continued use of a nut treating machine. The judgment turned upon the question of intervening rights in relation to the broadened claims of said reissue patent. A petition for rehearing was filed December 2, 1939 and denied December 5, 1939.

In conformity with the provisions of Rule 38 of this court, a certified copy of the record, including the proceedings in the Circuit Court of Appeals, accompanies this petition.

Summary Statement of Matter Involved.

This case presents squarely the important and troublesome matter of intervening rights in relation to the broadened claims of a reissue patent, which has been the subject of many conflicting opinions in the different circuits. The scope of such rights and the principles governing their determination have not been fixed by decisions of this court. The facts in the present case, while simple, are such as to present most of the phases of the problem with which the lower courts have struggled. More specifically:

(1) Respondent waited twenty months before applying for a reissue broadening the claim of its original patent. During a portion of this period petitioner used the accused machine without knowledge of the original patent. There was no infringement of that patent. Is the respondent guilty of laches which precludes its securing a valid reissue under the circumstances of this case, or, put in another way, does its failure to apply more promptly for such a reissue create an estoppel in favor of the public, including petitioner?

(2) For more than three months before applying for the reissue, and nine months before the reissue was granted, respondent by affirmative acts and

litigation led petitioner to believe that it was relying wholly upon the narrow claims of the original patent, which the accused machine did not infringe. Is there, under these circumstances, an estoppel in favor of the petitioner?

(3) The relief requested was an injunction, an accounting of profits and an award of damages. If petitioner acquired intervening rights to use the accused machine, are those rights limited to the period prior to the reissue, or does petitioner also enjoy an irrevocable and permanent license to continue such use without restriction?

The district court found that respondent was guilty f laches, that petitioner had acquired intervening rights f a permanent nature, and that respondent was not entled to any relief. The Circuit Court of Appeals, howver, reversed the district court, arriving at conclusions conflict with the decisions of three other circuits.

Statement of Matter Involved.

About the first of April, 1935, the petitioner comenced using in its store the accused machine—a maine designed to keep nuts and nut meats hot and fresh hile on display for sale (R. 79, 80). At this time dendant was without actual knowledge of patent No. 958,409, which had been issued May 15, 1934 to respondt. This original patent, admittedly a simple one R. 110), contained four claims of narrow scope. These our claims had been substituted (before grant of the riginal patent) for the twenty made in the original pplication and rejected by the examiner.

On October 8, 1935, respondent sent petitioner notice at its use of the accused machine was an infringement respondent's patent (R. 71). This notice gave petiner its first knowledge of the original patent (R. 77).

While the record is not clear as to the exact time, it is apparent that respondent's knowledge of petitioner's machine was acquired at least some weeks prior to such notice (R. 105).

On October 19, 1935, before petitioner could complete investigation of the assertions of the notice, respondent instituted suit in the United States District Court (case 3941-S), charging petitioner with infringement of said patent, and also with infringement of a design patent (R. 2, 9). We are not here concerned with the design patent because both of the courts below held that the accused machine did not infringe the design patent (R. 94, 284). Petitioner answered (November 22, 1935) denying infringement (R. 12), and continued to use the accused machine (R. 80).

On December 16, 1935, respondent filed interrogatories calling for pictorial illustrations and drawings which would fully disclose the details of design and operation of the accused machine being used by petitioner (R. 63).

On January 13, 1936 petitioner filed its answers to said interrogatories, accompanied by illustrative material revealing such details (R. 74, 75).

Two days thereafter, on January 15, 1936, respondent applied for a reissue of its patent, asserting seventeen claims, the first four of which were identical with the four claims of original patent No. 1,958,409 (R. 338, 346). The thirteen additional claims were of broader scope and were framed to cover the machine being used by the petitioner (R. 92).

Respondent did not notify petitioner of its application for a reissue. On the contrary, by keeping the petitioner busy with interrogatories, respondent led the petitioner to believe that it relied on its original patent (R. 77, 80). Respondent proceeded with the suit which was based on the patent it had offered to surrender when

t filed application for reissue—the patent respondent ultimately admitted was not infringed by petitioner's machine (R. 86, 87). Petitioner continued to use the accused machine in reliance upon the narrow claims of the original patent.

On June 30, 1936 reissue patent No. 20,024 was granted to respondent, containing the seventeen claims above referred to (R. 92, 337).

On June 26, 1936, respondent moved to amend its bill of complaint and to file an amended and supplemental bill so as to bring in the broadened claims of the reissue. This motion was the first notice that petitioner had of the reissue (R. 92). The trial court on September 18, 1936 denied the motion in so far as it sought to add the broadened claims to its asserted cause of action, but allowed respondent to file an amended and supplemental bill based upon the first four claims of the reissue (R. 17), which, as noted, were the same as the four claims of the original patent. Thereafter on January 11, 1937, such an amended and supplemental bill was filed in case 3941-S (R. 18).

On January 26, 1937, nearly six months after the reissue (and fifteen months after first notice of infringement of the original patent), respondent instituted a new suit (case 4133-S) charging petitioner with infringement of the broadened claims of the reissue patent (R. 42-51). In its answer in this case petitioner asserted that the respondent was estopped because the petitioner had acquired intervening rights in reliance on the narrow claims of the original patent, and because respondent was guilty of laches in applying for a reissue. The two cases, 3941-S on the original patent, and the corresponding claims of the reissue, and 4133-S on the broadened claims (5 to 17) of the reissued patent, were tried together (R. 84, 86).

In advance of the trial respondent stated that it would not rely upon claims one to four of the reissue patent, thus conceding that petitioner's use of its machine had not infringed original patent 1,958,409 (R. 86), as charged in case 3941-S. Since the issue relating to the design patent is no longer in either case, this proceeding, although originating in two separate suits, must be viewed as a suit instituted in January of 1937 to restrain the alleged infringement of the reissue patent granted in June of 1936. The purpose of the reissue was to dominate the petitioner's machine, which since October 8, 1935 petitioner had used in reliance upon the narrow claims of respondent's original patent.

The cases were submitted to the district court primarily upon the question of whether the petitioner had acquired intervening rights which would prevent respondent from obtaining injunctive relief against continued use of the accused machine (R. 93, 107), and secondarily upon the question of the validity of the reissue (R. 109). The district court held that the petitioner had acquired intervening rights and that the reissue was not enforcible because of the respondent's laches in applying therefor, but did not pass upon the validity of the reissue claims in relation to the prior art (R. 94). The district court also held that there was no infringement of the design patent (R. 94) and entered judgment for petitioner in both cases (R. 96).

On appeal the Circuit Court of Appeals (Judge Haney dissenting) reversed the district court with respect to the reissue patent. It held, in substance, that since the application for the broadened reissue was filed within two years after grant of the original patent, any intervening rights would have to be based upon two years of adverse use by the petitioner prior to the application for reissue, or upon knowledge of and reliance upon the

narrow claims of the original patent or upon facts creating an estoppel. It also held that because petitioner began its use of the accused machine without actual knowledge of the original patent there could be no estoppel against the claims of the reissue patent.

Although the decision is silent on the question of whether an estoppel was created in favor of petitioner because of its *continuing to* use the machine for at least nine months in reliance upon the narrow claims of the original patent, a period when those claims were being pressed by respondent's litigation, and the question of whether an inventor can lose his right to a reissue by laches within the two-year period, the holding of the court and the propositions of law formulated by it answer these questions in the negative.

Reasons Relied Upon for Allowance of Writ.

1. The matter of intervening rights in relation to the broadened claims of a reissue patent presents important and difficult questions of federal law which have not been but should be decided by this court.

On the one hand is the interest of the inventor in the monopoly granted him by the patent law, a monopoly that is limited to his invention *as defined* in his claims with respect thereto. What he does not so claim is dedicated to the public, but may, in the event of mistake, be reclaimed by means of a reissue. On the other hand is the interest of the public and its individual members to be free to use that which the inventor has dedicated by not claiming.

The variety of circumstances presented in the cases has required the courts to cull the factors carefully in order to determine which interest is entitled to prevail. In absence of decisions of this court fixing the scope of such rights and the principles which should govern

their ascertainment, the results in the lower courts have not been uniform, and upon various points it is difficult, and indeed impossible, to reconcile the decisions of the various Circuit Courts of Appeal. That fact was recognized by this court when it granted certiorari in the case of *Keller* v. *Adams-Campbell Co.*, 264 U. S. 314, on the representation made in the petition that the case involved the question of intervening rights. It later decided that the question was not involved because there was, in fact, no infringement, and dismissed the petition, saying, however (p. 318):

> "The views of the Circuit Court of Appeals on the general subject of the scope of intervening rights are not entirely easy to reconcile. * * * The question, if it were really before us, would be one sufficiently important, therefore, to justify our consideration of it on certiorari."

In the present case the Circuit Court of Appeals recognized that there are no authoritative decisions to guide the lower courts. It said:

> "It would serve no useful purpose to analyze the remainder of the cases cited by defendant. *No case has been cited wherein the Supreme Court has ruled on the extent of the estoppel creating intervening rights in an otherwise valid reissue.* Therefore, as said by the trial court, in *General Refractories Co.* v. *Ashland Fire Brick Co., supra* [p. 218] (Italics ours),
>
> > 'It is a challenge to anyone confronted with such a question [referring to the so-called doctrine of intervening rights] to think it through, and see if it is not possible to reach a personal conviction in regard to it'."

2. The decision of the court below is in sharp conflict with the law as formulated by other Circuit Courts of Appeals.

In *H. W. Roos Co.* v. *McMillan*, 64 F. (2d) 568, the

Circuit Court of Appeals for the sixth circuit, in holding that intervening rights had not been established, nevertheless refused to enforce a reissue patent because of plaintiff's laches in applying for the same. The application for reissue had been filed well within two years after the grant of the original patent, but not until six months after the patentee had seen a clamp that suggested a possible deficiency in the scope of the claims of his original patent. The Court said that in view of the simplicity of the patented device, an inspection of the original patent at any time after its issuance and before seeing the other clamp should have disclosed the mistake or deficiency in the claims. In concluding that six months' delay was unreasonable under such circumstances, the Court said (p. 570):

> "In this view of the patentee's rights, we are content to hold, until the Supreme Court has held otherwise, that a reissue patent may be held to be invalid because of unreasonable delay in filing the application therefor, notwithstanding the absence of a showing of intervening private rights and even though the application were filed within two years from the date of the original issue.", (and at p. 571):
>
> "* * * In our opinion there are two reasons why the reissue patent cannot be sustained. The first is the failure of the patentee to file an application therefor prior to the date of his discovery of the use of a similar device in Chicago. An inspection by the patentee of his patent at any time after it issued and prior to his noticing the Chicago clamp would have disclosed the mistake which he claims was made, and, whether he did not inspect it and thus did not discover the mistake or did inspect it and failed to file his application, he was guilty of negligence effecting an unreasonable delay. The second is the failure to file an application for six months after he had seen the clamp which suggested a possible defect in his claims. This was

> sufficient to bar a reissue if it was not already barred by failure to discover the error, if there was error, and correct it in the preceding twelve months."

In *Autopiano Co.* v. *American Player Action Co.*, 222 Fed. 276, decided by the Circuit Court of Appeals for the second circuit, a patent had been issued containing broad claims. Six years later an application for a reissue was filed asking for only narrow claims in lieu of the broad claims of the original patent for the purpose of avoiding possible invalidation of the entire patent. A reissue was granted, as prayed for. Four months later application was made for a second reissue for the purpose of reestablishing the broad claims of the original patent. The application for the second reissue was also granted.

Defendant sold one accused device while the application for the first reissue was pending, and a second during the four months' period between the grant of the first reissue and the application for the second reissue. The Circuit Court of Appeals which decided that case treated it as though the original patent had issued with the narrow claims of the first reissue, and had been broadened by the second reissue, and as though the second reissue had been applied for within four months of the date of the original patent. The court held that since the defendant had started its use within the four months' period between the date of the first reissue and the application for the second reissue, the defendant had intervening rights, saying (p. 282):

> "We, therefore, reach the conclusion that complainant is estopped from claiming infringement by this particular defendant *in continuing the manufacture* and sale which it entered upon while the first reissue was the only public announcement of complainant's alleged monopoly." (Italics ours.)

The lower courts of the second circuit have followed

his decision consistently and have found intervening ights in two cases where the defendant's accused activity did not commence two years before the filing of he application for reissue, and in fact, was originally vithout knowledge of the patents. *Moto Meter Gauge & Equipment Company* v. *E. A. Laboratories,* 55 Fed. (2d) 936, 940 (D. C. N. Y.) and *Christman* v. *New York Air Brake Company,* 1 Fed. Supp. 211, 212 (D. C. N. Y.)

In *Wichita Visible Gasoline Pump Co.* v. *Clear Vision Pump Co.,* 19 Fed. (2d) 435, decided by the Circuit Court of Appeals for the eighth circuit, an original patent was issued May 20, 1919. Defendant commenced building a factory in July of 1920 and completed manufacture of its first pump therein in September of 1920. Application for reissue was filed February 8, 1921 for the purpose of dominating the device manufactured by defendant. The basis of the court's decision is concisely set out in the following (p. 438):

> "* * * Meantime appellants had developed a plant and a business relying upon the limitations of the Crouse invention as it was disclosed. We think upon the face of the record, at least as affecting these appellants, the reissue was not applied for within a reasonable time, nor upon a legitimate ground. Its object was to stifle competition from this source. For this reason we think appellant's device does not infringe the claims of the reissue patent."

It is clear that the troublesome questions relating to intervening rights have not yet been authoritatively adjudicated. It cannot be doubted that the various Circuit Courts of Appeals which have passed upon the question, will, until the question is settled by this court, continue to follow their own precedents; that the fate of litigants is in fact left to geographical happenstance—a situation that can be remedied at this time only by granting this petition and determining the issues here involved.

WHEREFORE your petitioner respectfully prays that a writ of certiorari be issued under the seal of this Court directed to the United States Circuit Court of Appeals for the Ninth Circuit commanding that Court to certify and send to this Court on a day to be designated a full and complete transcript of the record and all proceedings of said Circuit Court of Appeals had in this cause, to the end that this cause may be reviewed and determined by this Court; that the judgment of said Circuit Court of Appeals be reversed as to this patent; and that your petitioner be granted such other and further relief as may seem just and proper.

Respectfully submitted,

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.....

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.....

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BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

I.

The Opinions of the Courts Below.

The opinion of the Circuit Court of Appeals appears at 107 Fed. (2d) 318 (Advance Sheets, January 1, 1940); and is to be found at page 282 of the record. The district court filed no memorandum of opinion. The findings of fact and conclusions of law entered by the district court are at pages 89 to 94 of the record.

II.

Jurisdiction.

The jurisdiction of this court is invoked under section 240(a) of the Judicial Code as amended by the act of February 13, 1925; 28 U. S. C. 347(a).

The date of the judgment to be reviewed is November 3, 1939 (R. 281). A petition for rehearing filed December 2, 1939 was denied December 5, 1939 (R. 330).

The decision of the Circuit Court of Appeals for the ninth circuit is in conflict with decisions of the Circuit Courts of Appeals for the second, sixth and eighth circuits on an important question of federal law involving intervening rights in relation to reissue patents. Cases believed to sustain the jurisdiction in this instance are:

Keller v. *Adams-Campbell Co.*, 264 U. S. 314; 44 Sup. Ct. 356, 357.

Duplate Corporation, et al. v. *Triplex Safety Glass Co. of North America*, 298 U. S. 448, 452; 56 Sup. Ct. 792, 794.

III.

Statement.

The facts are thought to be sufficiently stated in the petition.

IV.

Specification of Errors.

The errors which defendant will urge, if the writ of certiorari is granted, are that the Circuit Court of Appeals for the ninth circuit erred:

1. In enjoining petitioner from continuing the use of a machine that did not infringe respondent's original patent where petitioner's use of said machine began ten months before plaintiff filed an application for reissue to obtain broadened claims for the purpose of dominating petitioner's machine;

2. In failing to hold that respondent was guilty of unnecessary delay and laches in applying for a reissue to secure broader claims and therefore may not assert said reissue patent to prevent petitioner's continued use of said machine.

3. In holding that respondent was not estopped to assert the broadened claims of its reissue patent to prevent continued use of petitioner's machine where the use of said machines was begun by petitioner before the application for reissue was filed and where such use was continued in reliance upon the narrowness of all of the claims of the original patent, while respondent was pressing its suit against petitioner for infringement of said original patent.

4. In concluding "In the instant case there was admittedly no knowledge of or reliance on the scope of plaintiff's [respondent's] patent and no facts creating an estoppel."

5. In failing to affirm the decree of the district court in its entirety.

6. In granting any relief to respondent.

SUMMARY OF ARGUMENT.

Notwithstanding the holding of the court below, and in reliance on different conclusions reached by other Circuit Courts of Appeals, and on principle, petitioner contends:

(a) Application for the reissue patent involved in the suit was not filed until twenty months after the grant of the original patent and ten months after petitioner commenced to use the accused machine. This long delay indulged in by respondent before applying for a reissue of its patent, constitutes such laches that respondent should be barred from enforcement of the broadened claims of the reissue against petitioner.

(b) The record in this case reveals facts demanding that respondent be estopped to enforce its reissue patent against petitioner. The undisputed evidence shows that from the time petitioner was advised by respondent of its claims under its original patent, petitioner proceeded in reliance upon the narrowness of those claims which the respondent admits were not infringed by petitioner's machine. The change of position thus induced by respondent's acts and litigation clearly constitutes an estoppel against the assertion of rights under the reissue patent against the petitioner.

(c) Intervening rights, in the true sense, are permanent in nature. This court should establish that the intervening rights contended for by petitioner here protect the petitioner in the continued use of the accused machine from the date of the granting of the reissue patent forward.

ARGUMENT[1]

I.

Respondent delayed so long in applying for a reissue of its patent that its laches should bar enforcement of the broadened claims of the reissue against petitioner.

Application for the reissue patent involved in suit was not filed until twenty months after the grant of the original patent and ten months after petitioner commenced to use the accused machine. From these facts alone, and without regard to petitioner's knowledge of the original patent, it seems that respondent was guilty of laches which should preclude it from asserting rights under the reissue patent superior to those of petitioner.

The district court so held, saying that "in view of the defense of intervening rights and the laches of the plaintiff" it was unnecessary to consider the other defenses to the reissue patent (R. 94). The Circuit Court of Appeals made no mention of respondent's laches, merely holding that petitioner had not established intervening rights. This refusal to consider laches at all, whenever application for reissue is made within two years, is an unwarranted construction of the statute. Other Circuit Courts of Appeals have given proper weight to the patentee's delay in a situation where the duty of diligence is imposed upon him.

In *H. W. Roos* v. *McMillan*, 64 Fed. (2d) 568, the Circuit Court of Appeals for the sixth circuit held that intervening rights had not been established, but nevertheless refused to enforce a reissue patent because of

[1] The statute relating to reissues is set forth in the Appendix, page 27.

the patentee's laches in applying for it. The application for reissue had been filed well within the two years after the grant of the original patent, but not until six months after the patentee had seen a clamp that suggested a possible deficiency in the scope of the claims of his original patent. The court said that in view of the simplicity of the patented device an inspection of the original patent at any time after its issuance and before seeing the other clamp should have disclosed the mistake or deficiency in the claims. In concluding that six months' delay was unreasonable under such circumstances, the court said at page 570:

> "In this view of the patentee's rights, we are content to hold, until the supreme court has held otherwise, that a reissue patent may be held to be invalid because of unreasonable delay in filing the application therefor, notwithstanding the absence of a showing of intervening private rights and even though the application was filed within two years from the date of the original issue."

The conclusion reached in *Roos* v. *McMillan* is exactly opposite to the conclusion of the majority of the court in the present suit. Here the patent was extremely simple (R. 110) and no expert was needed to point out that the claims thereof did not dominate petitioner's accused machine. Any sort of examination of its patent by respondent would have made its deficiencies apparent. Instead of looking into the merits of its charge of infringement, respondent started suit on the original patent and this led petitioner to believe it had to consider only the narrow claims of that patent. It was ten months after petitioner commenced its use of the accused machine, and three months after it started suit on the original patent, that respondent applied for the reissue here under consideration.

In *Wichita Visible Gasoline Pump Co.* v. *Clear Vision*

Pump Co., 19 Fed. (2d) 435, the Circuit Court of Appeals for the eighth circuit applied the doctrine of laches to a reissue applied for within two years after the grant of the original patent contrary to the holding of the lower court in the present case. There the original patent covering a pump was granted May 20, 1919. Petitioner built a pump in September, 1920, and previously had built a factory to make this pump. The application for reissue was filed February 8, 1921, which was twenty months after the original patent was granted.

On these facts the court there said at page 438:

> "It was not until appellee discovered appellee's device that it took any steps to make its patent cover appellant's structure. It called its patent attorney, who did not venture a suit upon the original patent, although now claiming that a cause of action existed and that the reissue was procured only out of abundance of caution and as against other infringers. Meantime appellants had developed a plan and a business relying upon the limitations of the Crouse invention as was disclosed. We think upon the face of the record, at least, as affecting these appellants the reissue was not applied for within a reasonable time nor upon a legitimate ground. Its object was to stifle competition from this source. For this reason, we think appellant's does not infringe the claims of the reissue patent."

The holding that a patentee may be guilty of laches, which will bar him from securing a valid reissue, appears to be sound. The courts have been liberal in their construction of the statute authorizing reissues in order to protect an inventor where the rights of third parties have not intervened. But their zeal to protect an inventor who, through his own mistake, has failed to make proper claims to his invention should not lead them to hold that his rights are superior to those of one who uses a device not dominated by the claims of an original

patent where such use began before an application for reissue was made. They should recognize that the policy behind the granting of a limited monopoly under the patent laws is in derogation of the fundamental policies of free enterprise and competition and hold that the inventor has the burden of diligence and care if he would have the benefit of the monopoly. Conversely, the recognition of the rights in a third person is supported by the broad underlying interest in the preservation of competition.

Such an approach would protect the rights of one who has begun the use of an unpatented device without putting upon him the burden and uncertainty of being able to show facts which create an estoppel. It would protect the rights of those who have small investments as well as those who have large investments. It would free the purchaser of a single device of the expense of having a patent attorney investigate the matter of infringement in order to protect him.

The placing of such burdens on third parties may be justified in the interests of encouraging inventions and protecting diligent inventors, but they do not appear to be justified to protect a negligent inventor. Moreover, the right of an inventor to enlarge his patent should not, in absence of clear congressional intent, be extended for a period of two years in derogation of the interests of persons who, in the meantime, have changed their position, whether with or without knowledge of the narrow claims of the original patent.'

In two early decisions this court indicated that an inventor seeking to broaden his claims through reissue must be diligent, and in one of them indicated that the application for reissue should be applied for before any rights in favor of third parties could reasonably be ex-

pected to have attached. In *Miller* v. *Bridgeport Brass,* 104 U. S. 350, the court said at page 352:

> "If two years' public enjoyment of an invention with the consent and allowance of the inventor is evidence of abandonment, and a bar to an application for a patent, a public disclaimer in the patent itself should be construed equally favorable to the public. Nothing but a clear mistake or inadvertence, *and a speedy application for its correction* is admissible when it is sought merely to enlarge the claim." (Italics ours.)

In *Topliff* v. *Topliff,* 145 U. S. 156, the court said at page 829:

> "Whether this be an enlargement of the original claim or not, it is for the same invention, and, in view of the fact that the reissue was applied for as soon as the mistake was discovered, and *before any rights in favor of third parties could reasonably be expected to have attached,* or had in fact attached, we think this reissue is not open to the objections which have proved fatal to so many since the case of *Miller* v. *Bridgeport Brass Company,* 104 U. S. 350, was decided." (Italics ours.)

Most of the courts have recognized the fundamental justice of protecting intervening rights, but in doing so have at times found it difficult to assign a reason therefor. Some of them have found it necessary to base their decisions on the fiction of estoppel where no true estoppel exists; a few have said merely that the inventor was guilty of laches in applying for a reissue. This court should hold squarely that the rights of an inventor to a reissue patent are subordinate to those of one who has changed his position in the meantime, and relieve the courts of the necessity of groping for reasons therefor.

II.

The record in this case reveals undisputed facts demanding that respondent be estopped to enforce its reissue patent against petitioner.

We have urged under the first point of our argument that the respondent's laches should prevent the enforcement of the reissue patent against the petitioner. The respondent's sins of omission there discussed are equalled, if not exceeded, by its sins of commission. There can be no question here that by affirmative acts it misled the petitioner and, if the decision of the court below should stand, to its injury.

We do not here raise a disputed question of fact. The record shows without contradiction that some little time after discovery of petitioner's use of the accused machine, respondent notified petitioner that the machine was an infringement of respondent's mechanical and design patents (R. 71). The notice demanded petitioner's acquiescence in the rights asserted, and an accounting, within ten days. On petitioner's failure to reply, respondent on the eleventh day filed suit (R. 2).

As soon as petitioner was able to complete its investigation of the charges thus preferred by notice and litigation, it filed an answer denying infringement of either the mechanical or the design patent (R. 12); petitioner continued to use the accused machine (R. 80). Thus petitioner's position was completely changed by respondent's affirmative acts. Having knowledge of respondent's patents petitioner concluded that the machine it was using was not embraced within their claims. Petitioner concluded, and rightly, that it could continue to use the machine without liability to respondent.

Respondent ultimately admitted that there was no infringement of the original mechanical patent (R. 86,

87) and both of the courts below held that there was no infringement of the design patent (R. 94, 284).

For months after its initial step in notifying petitioner of the alleged infringement of its original patent, respondent by pressing its suit led petitioner to believe that it was relying solely upon the claims of that patent. Even after the application for reissue had been tardily filed on January 15, 1936, respondent by insisting on further answers to its interrogatories led petitioner to believe that it was still relying upon the claims of the original patent. These further answers were filed May 16, 1936 (R. 80).

The court below found as its ultimate conclusion on the question of intervening rights that "In the instant case there was admittedly no knowledge of or reliance on the scope of plaintiff's patent and no facts creating an estoppel." (R. 310.)

This can only be regarded as a conclusion of law. As a statement of fact it is obviously erroneous. It is equally unconvincing as a conclusion of law. An insubstantial foundation—and the only foundation for it in the record—is the fact that petitioner did not know of respondent's patent claims when petitioner *commenced* to use the accused machine. But estoppel could and did arise when respondent advised petitioner and led petitioner to believe, for over three months before filing an application for reissue, and thereafter, that the narrow claims of the original patent were all respondent relied on.

The court below does not point out, nor does there seem to exist, any sound basis for a distinction between the circumstance that use of a machine *is begun* in reliance upon the narrow claims of a patent, and the slightly different circumstance that such use, having been begun without such knowledge, *is continued* in reliance on the

narrow claims for an extended period before application for reissue is made.

In *Keller* v. *Adams-Campbell Co.*, 287 Fed. 838, the court said that "prior to any knowledge on their part of the Keller patent the appellees had been working on their device and had made and sold a few of them but, subsequently, learned of and became familiar with the original Keller patent * * *" (p. 841). The court's conclusion was "we, therefore, think it clear that the appellees had and have such intervening rights as were properly protected by the court below." (p. 841.)

In the second district the district courts have twice, following the principle of the *Autopiano* case (222 Fed. 276), found intervening rights in cases where the defendant's activity began without knowledge of the original patents. (*Moto Meter Gauge & Equipment Company* v. *E. A. Laboratories*, 55 Fed. (2d) 936, 940; *Christman* v. *New York Air Brake Company*, 1 Fed. Supp. 211, 212.)

III.

Intervening rights in the true sense are permanent in nature.

The court below sugggests that in situations where intervening rights may be established on the basis of estoppel they should extend only to the date of the grant of the reissue. This suggestion indicates a complete misunderstanding of the nature of a reissue patent. While it is true that a reissue may incorporate broadened claims (*Topliff* v. *Topliff*, 145 U. S. 156, 170, 171), the enlarged claims speak *only from the date of the reissue* (*Altoona Theatres* v. *Tri-Ergon Corp.*, 294 U. S. 477, 491). There can be no infringement of the broadened claims prior to grant of the reissue. To say that the right of use, prior to the reissue, is an "intervening

right," is to say that an absolute right of the public generaliy, must somehow be specially found in the case of one who avails himself of it. Such a conclusion appears to be contrary to several of the decisions of other Circuit Courts of Appeals, as well as to this court's decision in the *Altoona* case just referred to.

The inadequacy of intervening rights having such narrow scope seems clear. Investments made or business created or economies effected by the manufacture, use or sale of a device which some negligent inventor has failed to cover by claims when securing an original patent, will be lost by such a doctrine. It is no satisfaction to the one who is said to have acquired intervening rights to be told that he is thereby protected against liability for infringement up to the time of the reissue. This is true under the law relating to reissues, regardless of laches, estoppel, or other pertinent considerations.

Although there appears to be some inconsistency in the decisions, most of the courts which have found intervening rights to exist, have held them to be of a permanent nature, and have, in effect, said that the rights of an inventor secured through a reissue are subordinate to the rights of one who has in the meantime begun the manufacture, use or sale of a device which does not infringe the original patent. *Autopiano Co.* v. *American Player Action Co.*, 222 Fed. 276, 282; *Moto Meter Gauge & Equipment Co.* v. *E. A. Laboratories*, 55 Fed. (2d) 936, 940; *Christman* v. *New York Air Brake Co.*, 1 Fed. Supp. 211, 212; *Ashland Fire Brick Co.* v. *General Refractories Co.*, 27 Fed. (2d) 744, 747; *Bulldog Floor Clip Co.* v. *Munson Mfg. Co.*, 19 Fed. (2d) 43, 46; *Wichita Visible Gas Pump Co.* v. *Clear Vision Pump Co.*, 19 Fed. (2d) 435, 438; *Keller* v. *Adams-Campbell Co.*, 287 Fed. 838, 841.

The petitioner here can under no circumstances be

subject to any liability to respondent for its use of the accused machine prior to the date of the issuance of the reissue patent. It is submitted that this court should establish that the intervening rights contended for by petitioner here extend, not *to* the date of the reissue, but *from* that date forward.

CONCLUSION.

We respectfully submit that for the reasons stated the petition for certiorari filed herein should be granted.

Respectfully submitted,

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APPENDIX.

Section 4916, Rev. Stat. as amended May 24, 1928, chapter 730, 45 Stat. 732, reads as follows:

"Whenever any patent is wholly or partly inoperative or invalid, by reason of a defective or insufficient specification, or by reason of the patentee claiming as his own invention or discovery more than he had a right to claim as new, if the error has arisen by inadvertence, accident, or mistake, and without any fraudulent or deceptive intention, the commissioner shall, on the surrender of such patent and the payment of the duty required by law, cause a patent for the same invention, and in accordance with the corrected specification, to be reissued to the patentee or to his assigns or legal representatives, for the unexpired part of the term of the original patent. Such surrender shall take effect upon the issue of the reissued patent, but in so far as the claims of the original and reissued patents are identical, such surrender shall not affect any action then pending nor abate any cause of action then existing, and the reissued patent to the extent that its claims are identical with the original patent shall constitute a continuation thereof and have effect continuously from the date of the original patent. The commissioner may, in his discretion, cause several patents to be issued for distinct and separate parts of the thing patented, upon demand of the applicant, and upon payment of the required fee for reissue for each of such reissued letters patent. The specifications and claims in every such case shall be subject to revision and restriction in the same manner as original applications are. Every patent so reissued, together with the corrected specifications, shall have the same effect and operation in law, on the trial of all actions for causes thereafter arising, as if the

same had been originally filed in such corrected form; but no new matter shall be introduced into the specification, nor in the case of a machine patent shall the model or drawings be amended, except each by the other; but when there is neither model nor drawing, amendments may be made upon proof satisfactory to the commissioner that such new matter or amendment was a part of the original invention, and was omitted from the specification by inadvertence, accident, or mistake, as aforesaid."